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Oil and Gas Regulation Hearings for CCR 226
January 25th, 2013

Submitted by:
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I am here today to share our experience and concerns regarding the CFR 226. I was born and raised in Osage County, Oklahoma. While in College at Oklahoma State University, I worked during the summer months in the oil field on a roustabout crew completing a variety of jobs for production. I completed my BS Degree in Wildlife Ecology and Management at Oklahoma State University and began work on my Masters in Rangeland Ecology and Management. I am sharing this information with you to help you understand my concerns, my knowledge with oil and gas activities and my passion regarding environmental issues on our property.

Today, I am here representing my ranch that our family owns in Osage County, Oklahoma. My wife and I own 576 acres in Osage County that we purchased for recreational activities along with some livestock production. Our property currently has 9 active well sites with pump jacks, 2 active saltwater disposal wells, 2 tank batteries, 2 inactive well sites which are not plugged and have pump jacks setting on both locations. Those sites have not worked for over 15 years along with numerous plastic poly pipe and steel pipe lines exposed across our property. This amount of oilfield activity is very disruptive and creates a very displeasing view to say the least. We purchased the property knowing the Osage Tribe held the mineral estate although the current oilfield activity/sites was about half of what it is today. Since we have purchased our property, we have had 3 new wells drilled, extra tanks in tank battery sites and 1 new saltwater well location installed on our property.

In April 2007, CEJA Corporation had a work over rig on a well site close to a riparian area on our property. It was a week before turkey season, and they assured me it would be there for only one week. It was onsite for three weeks disrupting the entire turkey season on our property. During this time period, I brought my concerns to the BIA. CEJA dug a large pit and circulated fluids into the pit for several days. This pit was unlined and I felt like it was an environmental issue that should be addressed. I notified the BIA and again was left with no satisfaction or changes in the way CEJA was operating the site. The site during this time was littered with trash along with unwanted deep ruts cut into our pastures as the result of their activity.

In October 2007, CEJA Corporation notified me they were going to drill a new well on our property and the site was already marked. I immediately contacted CEJA to begin negotiations on the well site since the proposed mark was in a long term wildlife conservation easement program and more importantly it was adjacent to a riparian area and an active turkey roost site. We had a meeting with the BIA Superintendent and CEJA to negotiate directional drilling possibilities but the BIA decided horizontal drilling was cost prohibitive. I pleaded our concerns at this meeting which resulted in no changes in the planned activity. This well was drilled and completed, before any damage

settlements were decided. I believe this process was mishandled by the BIA. I spent the next several months talking with an attorney and finally settling on damages and an agreement from CEJA for future oil field operation guidelines for our property. This experience was very disruptive for our property and our everyday lives.

The following year, CEJA once again contacted me and said they have marked another drill site location. I met with them at the proposed sites to look at the locations prior to development. Again, I wanted a surface agreement completed before any work was to be done, but I was again notified that would not be the case. A week later I was notified that CEJA dozer operator misjudged their marking and developed a site that was in the wrong location. This left this site twice as big as needed and CEJA just paid the small amount of land damages as approved by BIA. Again, this process was not completed in a professional manner and without any regard to landowner's issues. Today the topsoil is silting down in the riparian area and the site location is very barren with resulting erosion.

In 2010, CEJA again notified us they staked another site for a proposed well site. This site is in the heart of our property and would be extremely disruptive for wildlife species on our property. We were extremely worried about this well site and once again began the fight to have CEJA complete this well by horizontal drilling. However, the BIA did not address any of our concerns and didn't make changes to CEJA's well site location.

I was then notified by CEJA they would be developing a saltwater well location on our property. The site they developed was about 50 yards from a proposed pond site which was approved for construction by the Natural Resources Conservation Service two years before in a wildlife habitat improvement plan. Again, CEJA did not change their operations after we showed them our approved plans. They finished the disposal well site which caused me to change my pond site location which is by far a less desirable location on our property.

During the past 9 years, we have requested and completed 3 different arbitration processes as the result of oil field activity on our property. The arbitration process is a big joke regarding CFR 226. I hired at my own expense an arbitrator (an Oklahoma State University Professor) to keep our issues/concerns addressed at a professional level. On our 3rd arbitration process, our arbitrator said the BIA arbitrator agreed with our concerns at the property site but for reasons unknown, the BIA arbitrator changed his mind two days later saying CEJA performed "close enough" to CFR C226. In each of the cases, we lost our arbitrations and CEJA was found to have acted in the correct manner. The current arbitration process is a joke and I have yet to learn of a landowner who actually won their requests as the result of this process. The arbitration process must be changed since the current method is obviously going to be in the oil company's favor.

In each of the drilling sites on our property, the surface damage rates were below the average surface damage rates in Oklahoma. Currently, the CFR 226 rules set the cheapest standards for oil and gas activity in the region. I don't understand this since the BIA's job is to manage trust lands and to make sound environmental decisions in Osage county. The current rules are degrading the environment, creating lower land values and avoiding the rights of the surface landowners within the county.

Today, I am asking the BIA to make significant changes to CFR 226 to improve landowner relations, protect our environment and to promote fair surface damage

agreement settlement rates that reflect at a minimum the regional average. I believe the following are just a few examples of changes that should be made regarding oil and gas production in relation to Osage County landowners: significant changes to the arbitration process and/or change the method altogether; all pipelines should be buried; CFR 226 should set the standard and practice sound environmental issues; CFR 226 should allow landowners to settle their settlement damages that are fair and at least to the level of regional prices; allow surface owners to set up rental options for tank batteries and other oil field equipment sites; allow surface owners to negotiate water rights for oil field activities; allow landowners to negotiate tax implication issues on lands no longer suitable for use by the landowner and most importantly a surface agreement must be approved between the landowner and oil company before the drilling begins.

Respectfully submitted by: John and Theresa Hendrix, owners of Kenzie Cole Ranch Bartlesville, Oklahoma.